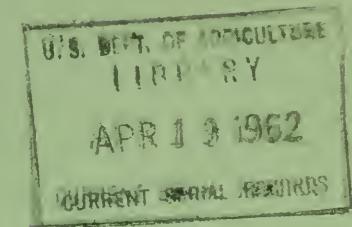


Historic, Archive Document

Do not assume content reflects current scientific knowledge, policies, or practices.

A280.29
F22H
Cop. 2



Helping Cooperatives

GROW

Highlights of the
24th Annual Workshop
Farmer Cooperative Service
December 11-14, 1961

FARMER COOPERATIVE SERVICE
U. S. DEPARTMENT OF AGRICULTURE
WASHINGTON 25, D. C.

Joseph G. Knapp, Administrator

The Farmer Cooperative Service conducts research studies and service activities of assistance to farmers in connection with cooperatives engaged in marketing farm products, purchasing farm supplies, and supplying business services. The work of the Service relates to problems of management, organization, policies, financing, merchandising, product quality, costs, efficiency, and membership.

The Service publishes the results of such studies; confers and advises with officials of farmer cooperatives; and works with educational agencies, cooperatives, and others in the dissemination of information relating to cooperative principles and practices.

PREFACE

This is a report of the 24th Annual Workshop of the Farmer Cooperative Service, U. S. Department of Agriculture, held at Washington, D. C., December 11-14, 1961. The theme of the Workshop was "Helping Cooperatives Grow."

Members of the Program Committee for this Workshop were:

Irwin W. Rust, Membership Relations Branch, Chairman
Henry W. Bradford, Poultry Branch
J. Warren Mather, Farm Supplies Branch
Wendell M. McMillan, Fruit and Vegetable Branch
George C. Tucker, Dairy Branch
J. Kenneth Samuels, Marketing Division (Ex Officio)

This publication presents highlights of the Workshop, rather than verbatim reports of the talks. Views presented are those of the participants and do not necessarily reflect official views of the Farmer Cooperative Service on the many topics discussed. While prepared primarily as a work improvement tool for staff members of the Service, and for distribution to guest speakers, a limited number of copies are available to other persons with an interest in this area.

The report was prepared by the Highlights Committee from material submitted by speakers and from notes made during the Workshop. Members of the Highlights Committee were:

John T. Haas, Livestock and Wool Branch, Chairman
Nelda Griffin, Business Administration Branch
Francis P. Yager, Grain Branch

CONTENTS

	Page
SESSION I - LEADERSHIP VISION	
WHY WE ARE HERE	
Joseph G. Knapp	1
LEADERSHIP VISION NEEDED FOR COOPERATIVE GROWTH:	
AS SEEN BY A PUBLIC ADMINISTRATOR	
Frank W. Hussey	2
AS SEEN BY A COOPERATIVE EXECUTIVE	
J. E. Givens	3
AS SEEN BY AN ECONOMIST	
John M. Curtis	5
AS AN ESSENTIAL TOOL TO AID EMERGING NATIONS	
George Goss	6
SESSION II - DYNAMIC MANAGEMENT	
MANAGEMENT COMPENSATION - PROGRAMS AND PROBLEMS	
Seeber C. Tarbell	7
COOPERATIVE MANAGEMENT IS A TEAM AFFAIR	
Dwight D. Townsend	8
DIRECTOR RESPONSIBILITIES FOR DYNAMIC MANAGEMENT	
Clyde T. Ellis	8
ORGANIZING AND CONTROLLING FOR DYNAMIC MANAGEMENT	
David Volkin, Edwin E. Drewniak, Homer J. Preston, George C. Tucker	9
SESSION III - NEW TOOLS TO PROMOTE OPERATING EFFECTIVENESS	
PHYSICAL DISTRIBUTION MANAGEMENT	
Robert J. Byrne	11
Bert D. Miner	11
Walter L. Hodde	12
Joseph E. Rickenbacker	12
William C. Bowser	13
IMPROVING MEMBER SERVICES	
Gerald L. Hiller	13

THE ROLE OF COOPERATIVES IN GOVERNMENT PRICE STABILIZATION AND MARKET AGREEMENT AND ORDER PROGRAMS Raphael V. Fitzgerald	14
INDUSTRY COMMENTS	
Gerald L. Hiller	15
H. Willis Tobler	16
SESSION IV - MERGING FIRMS	
WHAT'S NEW IN MERGERS?	
Wendell M. McMillan	17
IN DAIRY	
William J. Monroe	18
IN POULTRY	
Harry E. Ratcliffe	18
IN FRUITS AND VEGETABLES	
Fred E. Hulse	19
IN FARM SUPPLIES	
Arno J. Hangas	19
IN OTHER PRODUCTS	
J. K. Samuels	20
MERGER ECONOMICS	
Willard Mueller	21
CREATING A FAVORABLE MERGER CLIMATE	
Kenneth D. Naden	22
COPING WITH MERGER PROBLEMS	
Martin A. Abrahamsen	22
MEMBER EQUITY	
John J. Scanlan	23
COMMUNICATIONS	
Raymond L. Fox	23
FOLLOWUP	
Stanley F. Krause	24
SESSION V - FINANCIAL STRENGTH	
NEW FRONTIERS OF MODERN CAPITALISM	
Edwin G. Nourse	25

THE ROLE OF GOVERNMENT IN AGRICULTURE	
John Baker	26
CAPITAL NEEDS FOR EFFECTIVE COOPERATIVE GROWTH	
Glenn E. Heitz	27
HOW CAN GROWING CAPITAL NEEDS OF COOPERATIVES BE MET?	
Theodore Eichers	28
Arthur H. Pursell	28
Otis T. Weaver	29
SESSION VI - STRONG PUBLIC AND MEMBER RELATIONS	
ARE YOUR PUBLIC RELATIONS GOOD?	
Dorothy H. Jacobson	31
MEMBER RELATIONS PROGRAMS AND PROBLEMS	
Luther E. Raper	32
NEEDED - BETTER INTER-COOPERATIVE RELATIONS	
J. Kenneth Stern	32
DEBATE: DO THESE PRINCIPLES FIT 1961 CONDITIONS?	
French M. Hyre	34
ONE MEMBER - ONE VOTE: AFFIRMATIVE	
Donald R. Davidson	34
ONE MEMBER - ONE VOTE: NEGATIVE	
Martin A. Blum	34
OPEN MEMBERSHIP: AFFIRMATIVE	
Ira M. Stevens	35
OPEN MEMBERSHIP: NEGATIVE	
James B. Roof	36
SESSION VII - LEGAL AND TAX PROBLEMS	
STRENGTHENING RELATIONS BETWEEN COOPERATIVES AND STATE DEPARTMENTS OF AGRICULTURE	
Byron G. Allen	37
QUESTIONS AND ANSWERS	
Lyman S. Hulbert	38
Raymond J. Mischler	39
WHERE HAVE BE BEEN?	
Kelsey E. Gardner	40

WHERE DO WE GO FROM HERE?	
Joseph G. Knapp	41
Participants on the Workshop Program	43

Helping Cooperatives Grow

Highlights of the 24th Annual Workshop of the Farmer Cooperative Service

SESSION I

LEADERSHIP VISION

Monday Morning, December 11, 1961
Chairman: John J. Scanlan

WHY WE ARE HERE

***** Joseph G. Knapp

Our theme this year is Helping Cooperatives Grow. Why is it so important that we focus our attention today on the problems of cooperative growth? Cooperative growth is needed to strengthen services required by farmers and to reduce costs and increase savings for farmers. In addition, cooperative growth is an indispensable condition for increasing farmers' bargaining power.

I believe the future prosperity of American agriculture depends upon the rapidity with which strong farmer cooperatives can be established. All of us in Farmer Cooperative Service know what first-class cooperatives can do to help farmers. Without doubt, cooperatives could do much more if they could double their volume in the next 10 years. A doubling of volume, moreover, would probably increase their economic strength by much more than this -- for it would give cooperatives a greater leverage to influence the character of our total agriculture. With the right kind of leadership, this growth is a real possibility.

A good many people have but little appreciation of how important farmer cooperatives are becoming in the United States. We must give these people a vision of what cooperatives are doing and can do for American agriculture.

The current issue of the Harvard Business Review contains a challenging article by Richard B. Young on the basic causes of corporate growth. Mr.

Young points out that the right environment "makes it considerably easier to grow." I would apply this to cooperatives by asking, "Are they sufficiently alert to their environmental opportunities for growth?"

Mr. Young also says, "The financial growth of the firm, reduced to its fundamentals, appears to hinge most frequently on the union of opportunity, preparedness, and action." Does this statement apply to cooperatives as well as other business firms? I think it does.

We can do much to help cooperative leaders understand the environment they live in, and we can help them sense needed adaptations to change.

Dr. Mervin G. Smith, Head of the Department of Agricultural Economics and Rural Sociology at Ohio State University, recently told the Ohio Cooperative Council that cooperatives have not been used to the extent possible in stabilizing markets and in more nearly equating farm production with consumer demand.

He said, "If cooperatives are to be important in our future agriculture, they must lead in adjusting farm marketing and supply agencies to the changes that have taken place... In many cases, cooperatives have not developed as they should because they have not become leaders of the industry and have lacked the projection of their service far into the future."

I think these comments will serve to indicate why we are here. We are here to improve our ability to serve farmers and our economy as a whole and to expand our vision as to our opportunities for service. Let's make the most of this occasion.

LEADERSHIP VISION NEEDED FOR COOPERATIVE GROWTH

As Seen By a Public Administrator

***** Frank W. Hussey

You are becoming increasingly aware, I am sure, that this Administration, including President Kennedy, Secretary Freeman, and top officials of the Department of Agriculture, has a realistic understanding of the contributions that cooperatives are making to the economic well-being of our Nation's farmers. And, this Administration is taking active steps to help farmers build even stronger cooperatives for the years ahead.

This summer Secretary Freeman reaffirmed the policy of the Department of Agriculture on cooperatives. This policy well recognizes the importance of the family farm to our agricultural economy. It also recognizes that strong and growing cooperatives are an important tool of farmers in protecting their economic position.

In drafting the Agricultural Act of 1961, we attempted to establish a more realistic framework within which cooperatives might operate.

First, the Department attempted to strengthen the position of cooperatives on the tax issue.

Second, we attempted to clarify the legal right of two or more cooperatives to federate or use joint agencies in carrying on business activities.

As you know, these provisions were excluded in the final provisions of the Agricultural Act of 1961. I think, however, it is of special interest that the Agricultural Committee in its report on this Act reaffirmed "the national policy of aiding and encouraging the organization, operation, and sound growth of farmer cooperatives to the end that the farmers of the Nation may, through group action, conduct their business operations effectively to obtain a fair share of the Nation's income."

Third, the Department also has recognized cooperatives as an important vehicle for carrying out farm programs.

Fourth, the Department has established a Cooperative Advisory Committee to advise and consult on matters affecting farmer cooperatives to the end that every reasonable assistance be rendered in sound constructive programs.

Several factors contributing to relatively stronger and more effective cooperatives today are: (1) A higher caliber of leadership, (2) contributions of research, (3) more effective efforts to provide information about cooperatives, and (4) progress in the coordination of cooperative effort.

Areas where additional opportunities for growth prevail include: Stronger bargaining associations, increased use of marketing orders, providing more business services, greater integration of cooperative activities, and recognition of international obligations.

Cooperatives face a challenge that emphasizes the need for a competent and growing leadership. Emphasis must be placed on coordination of cooperative endeavor. More and more, it seems to me, the cooperative cannot divorce itself from the important aspects of constructive, forward thinking agricultural policies and the implications of such policies for farm people. Progress will be made when farmer organizations and farm policies are built from the ground up and not from the top down.

As Seen by a Cooperative Executive

***** J. E. Givens

It is a well founded fact that all businesses must continue to grow. The growth of farmer cooperatives is not keeping pace with that of other seg-

ments of our economy or with the potential available. Management of cooperatives and people interested in their development ought to be concerned about this lack of growth.

Let me outline some facts which constitute a challenge to cooperative growth. An understanding of these facts is essential to an understanding of this subject.

1. Rendering commodity services has ceased to be the principal area in which future pace setting of cooperatives must be measured. In fact, more cooperatives are now talking about competing rather than setting pace. Pace setting is being transferred to controlling entire or partial segments of the industry of agriculture through corporate practices.
2. In many instances producers can no longer make decisions to purchase supplies or market products independently of other business decisions. Also, farmers are sharing decision making with related segments of the industry of agriculture.
3. Gross margins in many enterprises in which cooperatives are engaged are not adequate to provide the net margins and growth capital required for expansion, research, and modern sales efforts.
4. Agricultural producers are more inclined to measure the effectiveness of their cooperatives by short-term standards such as price, quality, and service rather than by long-term standards such as pace setting, ownership and the safeguards inherent through cooperative action.
5. Farmers have become less membership conscious and more stockholder (owner) conscious.
6. The concentration of ownership in fewer and larger farmers is going to subject the one member--one vote principle to a severe testing.
7. The development of an industry of agriculture has rendered many of our cooperatives obsolete because of the limited services they render.
8. "Planned obsolescence," one of the greatest impetuses to business growth, has largely been denied to our cooperatives because of limited research and the nature of their businesses.
9. Cooperatives have been slow in developing management trained in modern management methods.

These challenges must be met if farmer cooperatives are to maintain their place of pre-eminence in America's industry of agriculture. What type of

vision is needed by cooperative management to answer these challenges?

First, concepts of management with respect to purposes, objectives, and in many instances, to philosophy, must be revised. We have come to a place in the existence of cooperatives where, through dynamic leadership, they can be welded into a powerful force providing their objectives, purposes, and philosophy are merged, subordinated, and meshed to the extent that they can become really effective.

Second, the necessity for joint effort and merger between cooperatives must be recognized and acted upon. The vision which is needed here is to see that mergers are brought about by statesmanship on the part of cooperative leadership rather than by default. This will probably require more vision than any other aspect of growth which can be named.

Third, cooperative management must utilize to better advantage progressive developments in American business and industry and assume leadership in many new areas.

This is the type of leadership vision cooperatives need if they are to open up the areas in which I believe they must grow in the future.

As Seen by An Economist

***** John M. Curtis

The basic responsibility for leadership vision needed for cooperative growth rests with cooperative leaders.

Cooperative leaders need to challenge economists, themselves, and workers in other sciences to answer fairly quickly a fundamental question: What is the proper role of cooperatives in today's economic environment, and what changes must be made in the traditional concepts of the philosophy, organization, and operation of cooperatives to permit their survival and provide the flexibility and freedom which encourage leadership vision and growth?

Economists have a supporting role and responsibility. Their role may be classified in two parts -- operating and fundamental.

Those who guide the destinies of cooperative businesses in today's complex and ruggedly vicious economic environment must be leaders who are willing to pinpoint the broad sweep of their visions through the deliberate use of economic findings in their decision making processes. Economic forces are at work, and cooperative leaders must add economic tools to their stock of information.

Today we have a combination of forces in which business organizations are in an economic battle. Cooperative leaders have a responsibility to lead in this economic battle and their leadership vision for growth must include:

(1) Clearly defining economic objectives which people can recognize and desire; (2) acquiring and efficiently using resources needed to survive in today's economic environment; and (3) motivating people -- both employees and member patrons -- to the extent necessary to achieve the economic objectives stated, but always with new visions ready for the next round.

As An Essential Tool to Aid Emerging Nations

***** George Goss

President Kennedy has said the fundamental challenge of our foreign aid program in this Decade of Development of the 1960's is to "help make a historic demonstration that, in the twentieth century as in the nineteenth, in the southern half of the globe as in the north, economic growth and political democracy can develop hand in hand" and to demonstrate that "man's unsatisfied aspiration for economic progress and social justice can best be achieved by free men working within a framework of democratic institutions." Cooperatives, perhaps as no other American institution, are particularly well suited for export to the developing countries to make such a demonstration.

The Agency for International Development (AID) recognizes that cooperatives are an essential tool to aid emerging nations. AID is dedicated to fulfilling the provision of the 1961 Act for International Development that states one objective is "to encourage the development and use of cooperatives, credit unions, and savings and loan associations."

A special Advisory Committee Report ("Cooperatives - Democratic Institutions for Economic and Social Development," November 1, 1961) to the Administrator of AID recommends policies and programs "which will utilize the resources of AID and of all interested government and private agencies in programs for underdeveloped areas where cooperatives can contribute effectively to the self-help objectives of this country's foreign aid efforts and to total country development plans." Developing countries rely heavily on the potential contribution of cooperatives to their total economy. We need to apply U. S. Government and non-government resources to these countries' needs. The opportunities are limited only by our vision.

SESSION II

DYNAMIC MANAGEMENT

Monday Afternoon, December 11, 1961
Chairman: Paul C. Wilkins

MANAGEMENT COMPENSATION -- PROGRAMS AND PROBLEMS

***** Seeber C. Tarbell

The basic purpose of compensation is to attract and hold qualified people and to motivate a sustained high level of performance. Ideally, such compensation consists of two basic elements. The first is a base salary structure which is fair and equitable in terms of the interrelation of jobs within the company and compensation for similar positions outside the company. The second element consists of some type of supplemental compensation which will stimulate performance or provide a means of recognizing outstanding performance without freezing such recognition into the base salary structure.

Most successful salary plans consist of three main elements. The first is a system for objectively determining and maintaining a scale of internal job relationships. Such a "job evaluation" system should not be so rigid as to become self-defeating. The second is a salary structure hooked to job grades, with ranges in each grade wide enough to permit adequate recognition of various levels of performance and to stimulate a desire for promotion. The third element is a systematic plan for administering salaries on an equitable basis.

Any salary plan involving merit increases calls for some system to measure performance. Ideally, such a review consists of a two-way discussion between superior and subordinate having as its primary objective improving performance, with measuring performance a secondary consideration. It should also be held at a time other than when salaries are under consideration.

Supplemental compensation requires a plan tailor-made for each company. Generally speaking, such a plan can create as many problems as it solves and in no way can be relied upon to replace good leadership and supervision.

In any plan, whether involving salary or supplemental compensation, simplicity should be the keynote coupled with formulas and controls which will permit decision making at the lowest possible level of supervision.

COOPERATIVE MANAGEMENT IS A TEAM AFFAIR

***** Dwight D. Townsend

Webster defines management as "the art of managing; conducting; controlling; directing." It also refers to the collective body of those who manage any enterprise. Applying this definition, "to manage" is to delegate responsibility and assign authority in proportion to need.

When we speak of management as a "team affair," we must have in mind (1) a team of people which are competent to work together, responsive to direction, and dedicated to a set of principles or ideals and (2) a team of activities and functions which make use of the skills and techniques and the physical and mental capabilities of management and employees.

Responsibility is the core of management. Authority is the cloak of rules or procedures. In a cooperative enterprise, the core of management is made up of four elements - members, board of directors, general manager, and employees.

The authority runs from the members through their directors to the general manager and employees. Employees, then, are responsible to the general manager, who reports to his board of directors; and they, in turn, report to the members.

This may be developed further in regard to continuity of membership and boards by a systematic revolving plan which will (1) get new members to replace those who are deceased or move away and (2) insure fresh interest on the part of the board of directors, yet retain the value of experience.

In addition to responsibility and authority, a team affair must include financing, patronage, services, and other incidental relationships.

Management of cooperative enterprise is dependent upon a well organized and coordinated team of management people, extending from the lowest paid employee to the most remote member, and requires a degree of understanding of the importance of responsibility and authority by everyone in between.

DIRECTOR RESPONSIBILITIES FOR DYNAMIC MANAGEMENT

***** Clyde T. Ellis

In the past, too few directors and too few management employees have been oriented to boldness. Cooperatives need skilled, dedicated, dynamic management.

Getting this kind of management is the task of the co-op director. And he has other tasks. He must build a climate of public and legislative opinion which will support a bold new program. He must be skilled in high finance, in modern personnel practices, in public relations and public affairs. And all of this must be set against a background of knowledge and experience that will allow him to see the need for the objective and the methods by which the objective can be met.

We've tried in the National Rural Electric Cooperative Association to do something to develop this new breed of management. We haven't done nearly enough, but we are trying, and our efforts are paying off. We now have a management services department charged with the responsibility of providing the best possible professional training for directors and employees.

The department is staffed with professional management consultants, and in addition we retain an outside management firm. This department is currently carrying out 27 different training programs. These include eight institutes specifically designed for rural electric cooperative directors and a series of specialized workshops, many of which are planned with directors in mind. These programs cover the field, from basic board-manager relationships to long-range planning.

We also provide a consulting service which entails extensive, on-the-spot work with co-op directors and employees by one of our management consultants. In the course of such work, the consultant meets several times with the board and conducts an extensive interview with each board member and employee, making what we call a management audit. Based on his contacts and studies of the operation, the consultant evolves a comprehensive plan for effective management and good board-manager relationships.

These programs have a two-pronged benefit. First, the directors acquire specialized knowledge about their proper role in the operation. Even more important, the directors begin to think in terms of dynamic management.

Directors who have participated in these programs take a more serious and realistic view of their responsibilities and are more aware of the big job to be done and their proper role in doing it. The rural electric cooperative directors also participate actively in the total rural electric program, and this broadens their perspective.

Through all these methods of training and communication, we try to provide the means by which local directors can acquire the attitudes and skills so essential to a dynamic program.

ORGANIZING AND CONTROLLING FOR DYNAMIC MANAGEMENT

***** David Volkin, Team Leader

Edwin E. Drewniak, Homer J. Preston, George C. Tucker

This team used a case study approach involving a hypothetical dairy coop-

erative to develop principles of organization and control. The team had first made a thorough study of the association and then illustrated the following principles in revamping the association's basic organization structure.

Principles of organization

1. Group similar activities to achieve stated objectives.
2. Consider size and significance of activities.
3. Delegate responsibilities along with scope of authority adequate to responsibilities.
4. Coordinate interdependent activities.

Principles of control

1. Establish realistic standards for each level and each unit in the organization.
2. Establish responsibility for meeting these standards.
3. Develop procedures for reporting results.
4. Review results in relation to predetermined standards.
5. Adjust operations to meet predetermined standards or revise standards.

SESSION III

NEW TOOLS TO PROMOTE OPERATING EFFECTIVENESS

Tuesday Morning, December 12, 1961
Chairman: J. Warren Mather

PHYSICAL DISTRIBUTION MANAGEMENT

***** Robert J. Byrne, Team Leader

The term "physical distribution" simply means all factors involved in moving products. It usually includes transportation, materials handling, warehousing, inventory control, and packaging.

Physical distribution is one of the last great areas for cost reduction. As it is one of the biggest expense areas, it is logical to look to it as a source of big savings.

Cooperative managements must integrate what is essentially a system approach with the conventional functional approach. Instead of looking at warehouse costs or transportation costs separately, we must consider the distribution system as a whole.

***** Bert D. Miner

Potential savings in physical movement of agricultural products are rather impressive. The following tabulation shows the costs of physical movement as they relate to the total agricultural marketing bill for 1961.

Physical movement costs

Materials handling	\$ 7.2 billion
Rail and truck transportation	6.6 "
Air and water transportation	<u>2.4</u> "
Total	\$16.2 billion
Cost improvement factor	25 percent
Savings potential	\$ 4 billion

1/ Represents increased efficiency and was taken from physical productivity studies made by James W. Millard.

This estimate is for the marketing side of agriculture only. Savings are also possible on the purchasing side. Cooperatives can exploit savings potentials in both marketing and purchasing if they look hard at their whole physical movement system.

***** Walter L. Hodde

Examples of materials handling and transportation savings for wool include:

1. A cooperative reduced labor requirements by over 40 percent, storage space by 50 percent, and packaging material costs by over 30 percent. It did this through eliminating non-essential movements and mechanization but most importantly through baling instead of bagging. Bales are much denser and heavier than bags.
2. Wool freight rates have been reduced all over the country because trucks, steamship lines, and railroads compete for baled wool, whereas railroads had the inside track for bagged wool. Freight rates on 60,000-pound minimum carloads of baled wool are now 41 percent lower than 40,000-pound minimums in 1957 for bagged wools.
3. Satisfactory wool warehouses can be built for about \$1.90 a square foot. However, some have been built for over \$5 a square foot. FCS research, service, and educational work contributed to the actual and potential savings described in these examples.

***** Joseph E. Rickenbacker

Consideration must be given to potential loss and damage in any system of physical distribution. The most favorable rates, the fastest schedules, the most expeditious materials handling system, the most efficient machinery in any given phase may go for naught if excessive breakage, spoilage, deterioration, or other forms of loss and damage occur at any point.

The total amount of money involved in loss and damage is not definitely known, but it is a staggering figure. In order to make sure that the selected distribution system is the best from the "safety standpoint," it is essential to check each phase for potential loss. This can be done by consulting records, drawing on the experience of others, or experimental research.

FCS has been doing research on loss and damage in the livestock and grain fields. Techniques have been devised which can be used in the various "handling phases" to ascertain the loss and damage likely to occur under varying circumstances. These techniques can be applied to evaluate the system selected or in use and indicate hazardous conditions which need to be eliminated to provide the best and safest system of physical distribution.

***** William C. Bowser

Research is urgently needed to develop optimum materials handling ratios, or standards, for the various major types of co-op activity. These would be valuable guidelines for cooperatives in evaluating the relative efficiency of their materials handling operations.

While it would be better to have predetermined standards to go by, ratios in themselves can serve as a base for subsequent comparisons. Any improvement made in labor utilization or materials handling techniques against this base would tend to improve the savings potential.

The ratios referred to below primarily concern in-plant handling of materials and other handling operations within the confines of the plant grounds.

1. Materials handling labor	=	<u>Materials handling labor</u> All labor
2. Skilled labor loss	=	Time spent by skilled labor on materials handling Total skilled labor time
3. Movement/operation	=	<u>Total number of moves</u> Total number of productive operations
4. Processing efficiency	=	Sum of times of all proces- sing operations Total elapsed time in the production cycle
5. Space utilization efficiency	=	<u>Cubic feet usefully occupied</u> Net usable cubic feet
6. Aisle space potential	=	Current aisle space minus opti- mum aisle space Current aisle space
7. Equipment utilization	=	<u>Actual output</u> Theoretical capacity

IMPROVING MEMBER SERVICES

***** Gerald L. Hiller

The stability of any organization depends upon its ability to provide modern efficient service. Constant change in methods and procedures is imperative to keep abreast of our dynamic moving economy. Most

successful firms have seen the wisdom of fully rounding out their services.

Cooperatives have risen to this challenge in most areas of endeavor. Fully integrated modern efficient sales and service to members are the goal for all of us.

In my opinion it is extremely important for all cooperatives to consider the following in improving member services: (1) Ascertain type of services needed; (2) plan for and develop desired services; (3) institute companion programs of help; and (4) keep the services flexible to withstand the rigors of a competitive economy.

Our group, Producers Livestock Association, is a cooperative livestock marketing organization. Much of our modest success in over a quarter century of progress is attributed to constantly improved member services made possible by: (1) Grassroots organization of farmers; (2) a good communication program to develop, maintain, and improve interest in our cooperative services; (3) developing more capable and knowledgeable personnel; (4) keeping open-minded to needed market innovations; (5) taking the lead in livestock improvement programs; and (6) maintaining a dynamic sales program.

If cooperatives are to co-exist in modern industry and survive, they will need to keep constant vigilance over the importance of their services to their patrons.

THE ROLE OF COOPERATIVES IN GOVERNMENT PRICE STABILIZATION AND MARKET AGREEMENT AND ORDER PROGRAMS

***** Raphael V. Fitzgerald

Cooperative participation under price support programs can be classified under three headings: (1) Price stabilization type cooperatives, (2) warehousing cooperatives, and (3) merchandising cooperatives.

Price stabilization type cooperatives include most of the organizations which make available price support to farmers on tobacco and peanuts. These farmers obtain price support through cooperatives which have a monopoly on the privilege of obtaining price support loans from Commodity Credit Corporation.

The next group of cooperatives that participate in the price stabilization programs are warehousing cooperatives. Their main relationship with CCC exists in providing warehouse space for members. This enables members to take out price support loans with CCC. Some of the large grain organizations fall into this category. They usually provide marketing services for their members but in their relations with CCC only the warehousing aspects of their operations are involved.

These cooperatives have rendered an invaluable service to members and CCC in providing the storage which is necessary before price supports can be obtained. They have also been able to effect substantial savings on storage services for their members.

The third classification is the merchandising cooperative which takes out price support loans in its own name, determines when and in what quantities commodities shall be pledged to CCC, and when and in what quantities such commodities shall be redeemed from the loan. The provisions of the price support programs permit this type of participation by cotton, rice, edible bean, dairy, and soybean cooperatives. Other commodities may not be pledged to CCC in the name of the cooperative. This privilege was first extended to soybean cooperatives in 1961.

The Department laid down stringent rules which soybean cooperatives were required to meet in order to participate in CCC programs as eligible producers. This was not done as an attempt to regulate cooperatives. The legislation was enacted to stabilize prices and benefit farmers, and we think it is our duty to make certain that only bona fide producer controlled and soundly operated cooperatives are eligible to receive price support loans in trust for their members.

I suggest that you become familiar with the details of the price support programs in order that they be used to the advantage of cooperative members. At the same time, recognize that a Government warehouse is not a market and leave no stone unturned to develop your own markets.

Industry Comments

***** Gerald L. Hiller

The turkey industry in this country is suffering from overproduction and depressed prices. This may be the first agricultural commodity that will be regulated through a national marketing order for more control of supply and demand.

The livestock industry has gone on record as being thoroughly opposed to including red meat commodities as part of controllable items through marketing orders as was originally included in the omnibus farm bill of 1961.

Livestock farmers must remain flexible in their operations and retain the right to make alternate uses of their land and products.

With livestock being raised in most every nook and corner of the United States, it is difficult to regulate quality and quantity to fit the public needs advantageously in all areas. We fail oftentimes in maintaining the confidence in our farmers to demonstrate ingenuity in adjusting themselves to all positions of our economy. Agriculture must remain free to stay vibrant and progressive.

***** H. Willis Tobler

The dairy price support program benefits consumers as well as dairy farmers. This program assures the public an adequate supply of wholesome milk.

We like this law because it has worked well. I hope we do not lose the program we now have by being panicky and grasping for some other form of legislation to solve the problems of increasing milk production and declining consumption now facing the industry.

We believe the Marketing Agreement Act is one of the best pieces of legislation we have, and we have always been in favor of making its provisions available to any other commodity. Cooperatives play an important role in the operation of this program by providing storage facilities for surplus dairy products and helping maintain and improve the quality of these products.

I assume the next farm bill will have provisions with respect to marketing orders. I hope no effort will be made to transfer our milk market order provisions. Efforts will be made to amend present laws so that marketing quotas may be used, but our dairy cooperatives and their farmers will fight vigorously against the imposition of quotas on milk.

A self-help program has been proposed whereby dairy farmers and their cooperatives would assume the responsibility of stabilizing the market by buying and disposing of surplus dairy products. However, conditions would need to get much worse before these proposals will receive strong support.

An alternative to the present market order legislation that might be considered would be a Federal milk market order which would allow dairy farmers and their co-ops in a local area to vote for inclusion of individual market quotas or sales allocations. We think a start in that direction by a local market would be desirable, and we would very strongly support it.

SESSION IV

MERGING FIRMS

Tuesday Afternoon, December 12, 1961
Chairman: Wendell M. McMillan

WHAT'S NEW IN MERGERS

***** Wendell M. McMillan

One of the most important ways cooperatives can grow is through merger. In the past they have generally grown internally. However, rapid changes in the structure and behavior of markets during recent years, particularly in food manufacturing and retailing industries, have created considerable interest among cooperatives in mergers, consolidation, and acquisitions. Through these methods, growers can achieve more rapidly the benefits of economies of scale.

As background for the talks to follow, the figures below from our History and Statistics Branch show the number of cooperatives involved in mergers, consolidation, and acquisitions since January 1, 1957.

<u>Type of cooperative</u>	<u>Number</u>
Dairy	130
Poultry	17
Fruits, vegetables, and nuts	23
Farm supplies	63
Other (grain, livestock, cotton, service)	38

The total for the past 5 years is 271, or an average of 4.5 cooperatives a month involved in mergers, consolidations, and acquisitions. Since these figures do not include mergers, consolidations, and acquisitions involving both cooperatives and non-cooperatives, they understate to some extent the degree to which cooperatives used merger as a method of growth.

In Dairy

***** William J. Monroe

The term merger is used here to cover all types of unifications of firms. Records in Farmer Cooperative Service show that about 130 dairy cooperatives have been merged into other organizations since January 1, 1957. This figure does not include the principal firms acquired by cooperatives.

Most of the dairy mergers in the past have been symbolized by a small cooperative merging with a large one, but we are now beginning to see the merger of large, strong cooperatives. For example, seven relatively large cooperatives in the Pacific Northwest recently consolidated to form a new operating unit in United Dairymen of Seattle. Four bargaining cooperatives in Kentucky and Indiana have merged, two of which were relatively large associations and the dominant factor in their market.

Most of the combinations of the past were mergers or consolidations. Today, cooperatives are using acquisitions in greater number. Examples are Miami Valley Milk Producers, Dayton, Ohio, which has acquired four or five dairy firms in the past 5 years, and Pure Milk Association, Chicago, whose bottling operation has grown considerably by acquisition. Most of the acquisitions have been by processing or bottling cooperatives.

Another significant combination has been the formation of American Dairy Foods, Inc., a federation of several large dairy manufacturing cooperatives in the United States.

In the future, we expect to see an increasing trend in acquisition of small dairy bottling plants by cooperatives as well as increased federation and merger of larger cooperatives.

In Poultry

***** Harry E. Ratcliffe

Seventeen poultry marketing cooperatives have merged with other cooperatives since January 1957. In 1957, the Poultry Producers of Northern California merged with the Poultry Producers of Central California, San Leandro -- now the second largest handler of eggs in the world.

In 1959, Eastern States Farmers' Exchange, West Springfield, Mass., acquired the assets of six local egg and poultry marketing associations in New England. This year a local in western Pennsylvania was similarly acquired by Eastern States, and a new egg handling plant opened in Vermont. Eastern States' egg marketing system is now available to most of the New England egg producers and to some in Pennsylvania.

The Missouri Farmers Association, Columbia, took over the management of two regional cooperatives -- Producers Produce Company, Shelbina, and

Producers Produce Company, Sedalia.

Three mergers occurred in Minnesota. A turkey processing plant at Madelia merged with one at Faribault. The combined operation has a potential of 50 million pounds of eviscerated turkeys annually. A marketing cooperative merged with a cooperative creamery and a cooperative creamery, whose major business was egg marketing, merged with another cooperative creamery.

In New York State two duck processing and marketing cooperatives merged operations. An egg marketing cooperative in Florida disbanded, and the members joined another cooperative.

In Fruits and Vegetables

***** Fred E. Hulse

During the last 5 years, 23 fruit, vegetable, and nut cooperatives merged or consolidated with, or were acquired by, another cooperative. These included 21 fruit, 1 vegetable, and 1 nut cooperative. The mergers or consolidations of these 23 cooperatives resulted in a total of 15 new or reorganized operations. Two were wineries that merged with Allied Grape Growers, and eight cooperative prune drying organizations consolidated to form the new Sunsweet Dryers. Seventeen of the 23 merged organizations were located in California.

Most of the merging cooperatives were small. The largest had an annual business of \$3.5 million and only one other exceeded \$1 million. Six did less than \$100,000 business annually and 16 did less than \$500,000.

Another approach to merger has been used in the fruit and vegetable processing field. Under this approach growers first form a cooperative. Then the cooperative acquires two or more processing firms and consolidates them into its own operation. The Pro-Fac Cooperative, Inc., which serves 500 growers in western New York, followed this pattern. California Canners and Growers, Inc. (Cal-Can), San Francisco, also followed this pattern and up to the present time has acquired four processing companies to make it one of the largest processing operations on the West Coast.

Another merger of interest to growers involves Coca Cola and Minute Maid, two giants in the food processing and bottled beverage industry. This is of interest to Florida citrus growers generally and to members of Florida Orange Marketers Cooperative particularly, as it both supplies Minute Maid with raw products and includes Minute Maid as one of its grower-members.

In Farm Supplies

***** Arno J. Hangas

Farmer Cooperative Service records indicate 63 farm supply mergers occurred

during the last 5 years, or at the rate of about 12 a year. The annual volume of the merged associations averaged \$450,000. About \$5.5 million of annual cooperative purchasing volume has moved into fewer but stronger cooperatives through the merger route.

Most farm supply mergers have involved small, local organizations. Only 6 of the 63 involved regionals. The volume of the six regionals ranged in size from less than \$100,000 to about \$7 million in yearly sales. They represented over 50 percent of the volume of all merged farm supply cooperatives.

Local mergers represented about 90 percent of the number and 40 percent of the volume of all farm supply mergers. Local mergers have taken place mostly in Iowa, Missouri, Kansas, and Illinois. Each of these States had 6 to 12 during the last 5 years. The rest of the States each had three or less during this period.

Three out of four locals merged with other local associations. One out of four, however, were absorbed by the regional wholesales supplying them -- usually into their retail affiliates organized for the purpose of taking over and operating local associations which get into difficulty.

In Other Products

***** J. K. Samuels

Livestock - Livestock marketing cooperatives are becoming increasingly aware that mergers and consolidations are necessary to bargain more effectively with buyers. Four cooperatives -- the Chicago, Peoria, and Springfield Producers Associations, and the Illinois Livestock Marketing Association, Bloomington -- are in the final stages of consolidation into the Illinois Producers Association. These cooperatives are now handling about \$150 million worth of livestock annually for their members.

Three livestock cooperatives in California -- California Farm Bureau Marketing Association, Producers Marketing Association, and Valley Livestock Marketing Association -- are considering the consolidation of services rendered to livestock growers while continuing to operate as separate entities. Such services as procurement of stocker and feeder livestock and membership and public relations work would be consolidated into one organization.

A proposed merger involving the Producers Livestock Association, Columbus, Ohio and Cincinnati (Ohio) Livestock Producers Association, will be presented to the respective annual membership meetings early in 1962.

Grain - Some local grain elevators have merged, and consideration is being given to the merger or consolidation of regionals. An interesting example comes from western Illinois. Four years ago, in one county, all the local member elevators of the Illinois Grain Corporation merged into one organ-

ization. Two years later a similar merger took place in an adjoining county and it is planned to merge the cooperative elevators in two more adjacent counties. Eventually the four county cooperatives will be merged. These mergers have lowered grain marketing margins in the area and have retired old, uneconomic facilities.

We feel there is need for stepped up activity in merging local grain elevators. For example, one of the Corn Belt States has 335 cooperative elevators and 705 private or non-cooperative elevators. It would seem logical that fewer but larger units could do a more efficient job of grain storage and marketing in this State, as in many others.

Cotton. - Mergers have not taken place to a great extent in either cotton marketing or cotton ginning. However, in Oklahoma two neighboring cotton gins merged and two other cooperative gins in the same town came together. In the latter instance, one gin acquired the operations of the other.

Joint Sales Agencies. - Of interest in the somewhat broader context of cooperative combination is the establishment of joint sales agencies or some form of joint sales activity. At the present time cooperative cotton-seed and soybean oil mills are working to set up a joint sales program to export oil. They are also considering a joint sales program for domestic sales. The 25 mills market about 20 percent of the cottonseed and 10 percent of the soybeans.

MERGER ECONOMICS

***** Willard Mueller

Mergers will hit a post-war high this year. They are taking place at a record rate in the food wholesaling and retailing field.

There generally are two levels to consider in mergers: (1) Why firms want to grow and (2) why they prefer mergers as a method of growth.

Two reasons why firms want to grow are to achieve economies of scale and to increase their market power.

The primary reason firms choose mergers as a way of growth is that these firms are operating in an imperfectly competitive market. Through mergers the firms may more easily obtain economies of scale, skilled personnel, and an established brand name. Since many firms are growing by mergers rather than by internal growth, it is apparent that management feels this is often the best way for a firm to achieve its growth goals.

Mergers in industry over the past years have occurred in cycles and are correlated very closely to the overall economic conditions in the country.

The overall anti-trust policy is to preserve the competitive situation in American industry. The entire thrust of Section 7 of the Clayton Act and its amendments is to stop monopoly in its inception.

CREATING A FAVORABLE MERGER CLIMATE

***** Kenneth D. Naden

An important source of the growth of cooperatives will and should arise from mergers and consolidations of small organizations into large ones.

Two different kinds of action programs are necessary to create a favorable cooperative merger climate. The first is an internal program whereby farmers will take the steps now permitted by law and public opinion in the merger field. The second is an external program whereby farmers will be given an opportunity, through law and public opinion, to grow through mergers in a way that is not permitted today. The internal program is much more important today, and the external program is more important in the long run.

To create a more favorable merger climate among farmers, we may want to investigate more deeply their education, indoctrination, and value judgments.

To create a more favorable cooperative merger climate externally, we must:

1. Improve the public image of farmers and agriculture so that everyone understands the great contribution to economic progress made by agriculture.
2. Neutralize the opposition of non-farmer business interests that rises in direct ratio to the competitive pressure of cooperative enterprises by showing conclusively that cooperatives are a better way to raise farmers' income from farming.
3. Overcome the political weakness of farmers by working toward more group action and a willingness to fight vigorously for the position they want and deserve.
4. Conduct extensive and penetrating economic research into the anatomy and bases of present market organization and structure and on the consequences of this structure for farmers and consumers and for the kind of competitive environment existing.
5. Clarify, unmistakably, the difference between market power and monopoly power in the minds of legislators, economists, and editors, and establish farmers' right to grow in market power without gaining or using monopoly power.

COPING WITH MERGER PROBLEMS

***** Martin A. Abrahamsen, Moderator

Merger is an important technique by which cooperatives can achieve the growth necessary to effectively represent farmers in the market place.

In this way, these associations seek to gain the strength necessary to provide the growing number of integrated services modern farm operations require. Farmer Cooperative Service has identified economic explorations, human relationships, financial problems and procedures, and legal aspects as important phases of merger.

We cannot consider all of these in our discussion this afternoon. The experience of our staff suggests, however, that often key or strategic ways can be found to help cooperatives in handling the equity interests of their members, in dealing with human relationships and communication, and in developing techniques for following up on reports analyzing mergers. These are the areas we now propose to explore.

Member Equity

***** John J. Scanlan

In work in the special fields of finances and member equity, we have encountered a number of objections on the part of members or boards of directors to the merger or consolidation of their association with other firms. Such objections concern: (1) Safeguarding the equity of members of the merging associations; (2) protecting the equity of members of the absorbing association; (3) the possibility that the rate of redemption of their equities will be slowed down; and (4) the lack of proportionate member investment following merger or consolidation.

In merger work with cooperatives, it is well for FCS to anticipate these problem areas, to study them, and to seek fair and acceptable solutions to them. In some instances the objections cannot be removed to the satisfaction of all so it becomes necessary to show the extent to which the expected benefits of merger will outweigh the objections.

Communications

***** Raymond L. Fox

Cooperatives should employ the best communications when considering and carrying through the mechanics of mergers to fruition. This is important because mergers involve more than capital and tangible assets. They involve people and people are the lifeblood of all cooperatives.

Several questions should be asked in the use of communications in cooperative mergers.

Why communicate? Cooperatives must depend upon good communications to gain the support of their membership whenever mergers are attempted. They must inform people of the advantages and goals.

When to communicate? A decision must be reached when to inform people, and a schedule should be followed. The information regarding a merger should be passed along when it will be helpful to the cause. The program should be presented in small doses instead of all at one time.

Who is involved in communications? All proposed mergers require a catalyst group responsible for carrying a merger through. I believe a merger committee is the best one to handle communications as its members are aware of and closer to the problems involved. These people must have the responsibility delegated to them and be allowed to act with authority on the release of information.

To whom should communications be directed? First communications must be directed to cooperative managers and the boards of directors. These two groups must understand the advantages of a merger proposal for it to be successful. It is important to direct communications to the membership and employees to enable them to understand what is to be gained from a merger. It might also be well to direct general information early in the process of merger to the public through communication medias.

What to communicate? A definite program of merger should be presented with the expected benefits to members and employees. Items of information that will aid the proposed merger should be released to the press as they arise -- don't sit on them.

Followup

***** Stanley F. Krause

Followup to our formal merger studies is vital. I believe the return from added attention here would greatly exceed that from more detail in our formal reports.

Oral presentation of our reports is important. Mailing them out is not only ineffective but may appear apologetic. The Dairy Branch relied principally on oral presentation in working with the Kentucky-Indiana group a year ago. A few days spent in working with individual associations after our oral report were the most valuable days of the study. Henry Bradford estimates that he attended 20 meetings in his New England egg study. He also called at each college and State Department of Agriculture.

Because of distance and limited staff, FCS must assume the role of catalyst: Involving others. We should insist in advance on working with a local agency: College, State Department of Agriculture, or regional cooperative. Mr. Bradford did this effectively. In that study, Eastern States Farmers' Exchange picked up the ball and carried it. You may be able to involve the colleges by making their staff joint authors of reports. We may help to involve the cooperatives by outlining problems for their decision. Recommend a "merger study committee" so the cooperatives have machinery to follow through.

The initial purposes of followup are to clarify formal reports and to learn of the need for supplemental analysis. It also is necessary to bring problems into the open to prevent discussion from bogging down on minor issues. We should keep in touch to emphasize the potential benefits and help cooperatives work toward a final decision on the basis of major issues.

SESSION V

FINANCIAL STRENGTH

Wednesday Morning; December 13, 1961
Chairman: Helim H. Hulbert

NEW FRONTIERS OF MODERN CAPITALISM

***** Edwin G. Nourse

Capitalism is a market apparatus by which we price goods and services and earning power. It is also an economic, a political, and a social philosophy.

Now, let us take a historical look at the development of capitalism in this Nation. Capitalism had its beginning in this country in a simple form characterized by individually-owned, private businesses.

With the coming of the industrial revolution, capital requirements for building the production plant expanded rapidly due to changing technology. This led to the development of the second great stage of capitalism -- corporate, or managerial, capitalism. Managerial capitalism, which began in the late nineteenth century, has flourished during the twentieth century and brought with it both virtues and vices. The abuses of the system in its early stages were such that farmers and other groups turned on it, thus bringing about the passage of the Granger laws -- our first central regulation.

Under managerial capitalism, professional managers operate their businesses with the philosophy, in the main, that what is good for the business is good for labor, consumers, and the general public. In time, management improved its own philosophy with a broader view of its responsibilities. Managers learned that they had to consider other groups -- labor, consumers, and the public interest -- besides the owners in making business decisions. But, this philosophy still had a baronial flavor since managers felt they knew what was good for these parties.

As the labor movement progressed, managerial capitalism was modified. From the first successful strike, it was clear that labor would have a voice in how the business was run. Management finally conceded the active partnership of management and labor. Laboristic capitalism has now arrived; it is a working fact and a dominant characteristic of our economy today --

the third great stage in the evolution of modern capitalism.

An all-embracing structure is now beginning to emerge, which I like to call People's Capitalism. This phrase emphasizes our original intention of life which is of, by, and for the people.

Our economy is truly capitalism of, by, and for the people. It is of the people because the flow of savings into the productive plant comes from many millions of people who earn something above current subsistence needs. It is by the people because it rests upon decisions of local and national public officials who are representatives of the people. Modern capitalism is for the people in a degree undreamed of by those who formed public opinion prior to the First World War and is still resisted by many in the current scene.

Laboristic capitalism is not enough. Modern capitalism of, by, and for the people preserves the traditional and well-proven virtues of the free private market but complements it with an increasing amount of Government activities. Modern People's Capitalism is a partnership of capital, labor, and the public interest.

The part of farmers in the evolving modern capitalism is primarily centered in cooperatives, for the cutting edge of the cooperative movement is in wielding the power of organization toward the best use of our national resources.

THE ROLE OF GOVERNMENT IN AGRICULTURE

***** John Baker

I shall narrow the subject down to cooperatives. Cooperatives need encouraging; they are worth encouraging. Rural electric cooperatives are a good example of cooperatives which are of great value to our rural people. It is the policy of the present administration to encourage, favor, and support cooperatives, and both the President and Secretary of Agriculture have issued unequivocal statements in support of them.

In accordance with this policy, officials of the U. S. Department of Agriculture are examining the role cooperatives can take in carrying out farm programs. Cooperatives can play an important part in building more adequate family farm enterprises and in helping bring about more adequate farm income. They also have a place in rural industrialization and development of locally owned enterprises.

Taxation is an important problem facing cooperatives today, and one which needs attention. The administration is going to take a pro-cooperative position on the taxation problem. This is a difficult position to take because of the inaccurate public image of cooperatives. The public is not aware of the important difference between a user-owned cooperative and an investor-owned corporation. We have fallen down on our public

relations job; the public image of cooperatives must be improved. Everyone engaged in the formulation of public documents should consider their impact upon cooperatives.

In conclusion, I want to pose several questions concerning the role of cooperatives in agriculture. What part can cooperatives play in the Rural Areas Development program of the U. S. Department of Agriculture? Why have cooperatives not submitted a plan for rural areas development? What is the place of rural credit unions in the Rural Areas Development program? There is a move underway to provide more credit to cooperatives through channels other than REA and Banks for Cooperatives, but what are their credit needs?

CAPITAL NEEDS FOR EFFECTIVE COOPERATIVE GROWTH

***** Glenn E. Heitz

Sound financial management is increasingly recognized as a key to effective farmer cooperative growth. This involves acquiring and managing both ownership capital and borrowed capital in the proper amount and balance to meet the cooperative's objectives. Careful financial planning underlies this entire area of business management.

There is reason to believe that demand for capital will increase at a faster rate even than increased volume of business. Farmer co-ops on the average finance somewhat less of their total assets in use with equity capital than do their commercial counterparts. Experience has proven that a good base of ownership capital is necessary, among other things, to obtain borrowed capital on reasonable terms.

A unique feature of co-ops is that equity capital must come largely from the members because the benefits tend to accrue to the users. Many of us are problem-prone rather than opportunity-oriented concerning the matter of equity capital. We need to tell our farmers the facts -- straight to the shoulder -- and they will put up the necessary money if the co-op deserves it.

While banks for cooperatives provide over half of the credit used by farmer cooperatives, many co-ops are not using our services or using them to the best extent.

Our banks now have access to the money market and a capital base sufficient to multiply their volume of loans several times. There is also considerable potential for expanding other credit-related services of the banks and more effort should be directed to this potential. It is in the area of advising and consulting with co-op leaders that our banks may have their greatest challenge.

J. Carroll Bottum, Purdue University, said, "This is a time for conservative optimism in financial management. This is a period when there is a premium on financial flexibility."

More equity capital is needed if co-ops are to help farmers achieve the "financial flexibility" referred to by Carroll Bottum. If farmers will provide reasonable equity capital, the banks for cooperatives can be relied upon to provide the loan funds needed for greatly expanded co-op activity -- at cost and on terms adaptable to their needs. The primary determinants of cooperatives' growth will be the vision, resourcefulness, and determination of their leaders.

HOW CAN GROWING CAPITAL NEEDS OF COOPERATIVES BE MET?

***** Theodore E. Eichers

Patron credit is responsible for much of the seasonal capital needs of cooperatives handling farm supplies. Therefore, cooperatives could improve their capital position considerably if patrons financed their purchases through an outside credit agency.

A production credit association plan for financing patrons of farm supply cooperatives is now available in several areas of the United States. At the time of the Farm Credit Administration's examination in 1960, 146 PCA's had patron financing agreements with 727 suppliers. Loans totaling \$6.3 million were extended to 8,320 farmers.

Basically, in this program, the cooperative patron obtains a line of credit from the PCA for purchases at the cooperative. This credit line is usually sufficient to cover the patron's production needs for the season. When the patron purchases his supplies, he charges them to credit lines, the cooperative bills the PCA for the patron's purchases, and the PCA pays the cooperative on receiving the bill. The patron pays interest only on the actual amount charged to his account.

For successful operation of the PCA patron financing plan it appears that: (1) Cooperatives must have sound credit policies and enforce them; (2) PCA and cooperative managers must fully understand the plan; and (3) patrons must be educated to use sound production financing.

***** Arthur H. Pursell

If cooperatives are to grow, they must be financially sound; to be financially sound they must have an efficiently administered plan of finance.

A large portion of equity capital should come from the members. The ratio of borrowed capital to member-owned capital varies from organization to organization and from season to season. For example, supply and marketing cooperatives may safely borrow operating capital for peak seasons provided capital for fixed assets and normal operations is largely member-owned.

Cooperatives with efficient management, loyal membership, and a plan of finance usually have adequate capital funds. A recent survey in Ohio showed 94 percent of the members ready to put additional money in their cooperative. Another Midwestern group deposited \$485,000 in their

cooperative from January 1 to November 1, 1961. A knowledge of performance and an understanding of intended use is a prerequisite for such financial support.

Some cooperatives are approaching the problem of raising capital for operating facilities by organizing holding companies. For example, Midland Cooperative Wholesale, Central Cooperatives, Inc., and Mutual Services, Inc., all of Minneapolis, set up the M-C-M Corporation -- a holding company -- which constructs operating facilities and leases them back to cooperatives in their region. In Artesia, N.Mex., certain members set up a special corporation (a holding company) to construct and own the facilities used by their local cotton cooperative.

Cooperatives usually have the financial condition or situation which they deserve. Adequate financing has been demonstrated to be the cornerstone for those cooperatives that operate efficiently.

In cooperative finance it is important to plan your program and then work your plan.

***** Otis T. Weaver

Whoever furnishes a majority of the capital for a business undertaking usually reserves the right to pass on major policy decisions. It follows, then, that the irreducible minimum amount of capital provided by cooperative members should be something more than half of permanent capital requirements. How can this equity capital of cooperatives best be obtained from members?

First, let me outline briefly some of the more important factors and conditions which contribute to the problem. These include:

1. A heavy and increasing on-farm capital requirement.
2. Cooperatives have an almost unlimited need for capital.
3. Many cooperatives have used retained net margins as the main source of equity capital from members.
4. Many local associations evidence retained equity capital by numerous classifications of paper patronage refunds, sometimes without specific authorization in the articles and bylaws.
5. Often there is no specific authorization for dividends or interest on capital equities or any planned period of rotation.
6. Long-term rotation results in previous patrons providing interest-free capital for use by current patrons.
7. Capital equities cannot be liquidated or even used by members as collateral for necessary borrowing.

One possible solution to certain of these equity capital problems would be to materially upgrade and dignify these evidences of retained equity capital by: (1) Reducing the number of equity capital classifications; (2) providing more adequate authorization in articles and bylaws; (3) issuing a more formal certificate to evidence investment; (4) authorizing dividends on equity capital with priority over patronage refunds; (5) carefully planning a period of rotation; and (6) making these certificates transferable.

Another possibility would be to supplement, if not supplant, retains of net margin with specific retains for capital at the time transactions are made with patrons.

I would suggest that FCS study equity capital investments. Such a study should consider possible new systems of financing and should concentrate on problems of cooperatives in which farmers are direct members. It is on the individual farmer-member that the final obligation inevitably rests for providing the capital for all overhead, as well as local, associations.

SESSION VI

STRONG PUBLIC AND MEMBER RELATIONS

Wednesday Afternoon, December 13, 1961
Chairman: Oscar R. LeBeau

ARE YOUR PUBLIC RELATIONS GOOD?

***** Dorothy H. Jacobson

The question presented here, in itself, indicates a general concern that the public relations of farmer cooperatives could, and should, be better than they are.

Evidences of the need for better public relations can be found in: (1) Attitudes revealed and opinions expressed when legislation relating to cooperatives is before State legislatures and the Congress; (2) the nature of the opposition to cooperatives; and (3) a general public lack of understanding of farm problems, and the role of cooperatives in meeting those problems.

It is important to consider all of these in terms of what we should seek to achieve in a public relations program, and how we can make progress toward that goal.

The public attitude toward cooperatives is important. Such an attitude can be based on feeling and emotion or on reason and understanding. People act on what they think is so, rather than on the facts themselves.

The need for a better understanding of cooperatives is highlighted by the opinions and attitudes expressed during the debate in Congress this year on the question of cooperatives and antitrust, and by committee discussion on taxation. The cooperatives themselves have not united on a program of public relations to counteract the misunderstandings that were so apparent in these discussions and debates. As a result, there is public confusion on such issues as whether cooperatives do seek monopolies, what a patronage dividend is, and why it should or should not be taxed. A concerted effort to get together on these issues should be most helpful.

The opposition to cooperatives should be met and overcome in a public relations program. The opposition is effective only to the extent that it is based on a faulty understanding of the nature, principles, and

purposes of cooperatives. This kind of opposition can be counteracted only by education. It is essential not to neglect the importance of informal education, the kind best promulgated by co-op members themselves.

Public relations for farmer cooperatives cannot be separated from the problems arising out of the public's widespread lack of understanding of farm problems in general. Therefore, it is in the interest of cooperatives to help develop public recognition of the contribution American agriculture has made to American consumers and to the American economy. We need public understanding of the farmer's basic lack of bargaining power and of the potential role of cooperatives in remedying this lack. Concern for consumer understanding and consumer interests is a significant aspect of this phase of a successful public relations program.

MEMBER RELATIONS PROGRAMS AND PROBLEMS

***** Luther E. Raper

The most effective member relations programs are those in which the most members and members of their families participate. The more opportunities provided members to get 'into the act' in our cooperative programs, the fewer problems we will have and the smaller they will be. Members -- people -- are the greatest asset in any cooperative. What members want and do is a determining factor in the use and usefulness, the final success or failure, of a cooperative. Most members will actively work for their cooperatives if they are asked to do worthwhile and reasonable things.

Of course, there are problems in member relations, such as how to serve both large and small farmers. A cooperative must somehow manage to serve both groups equitably if it is to do its best job for all members.

Volume -- the real measure of growth, usefulness, and service of a cooperative to its members -- presents another problem. For best efficiency, a cooperative must depend on members to place a large part of their volume voluntarily -- the more, the better. Community field work is good if it helps old and new patrons understand the cooperative and its programs, supplies, and services better; but this work is questionable if all it accomplishes is "taking orders" for farm supplies. The first and most valuable thing any cooperative has to offer or "sell" is farmer cooperation.

More of the early pioneering spirit is needed to make present-day cooperatives successful. Voluntary support is needed just as much as ever. And voluntary support comes with greatest interest, developed through good member relations programs.

NEEDED--BETTER INTER-COOPERATIVE RELATIONS

***** J. Kenneth Stern

Relations between cooperatives in the United States are better today than

ever before. A good example is the wonderful job the Minnesota cooperatives did of working together to make the Institute meetings successful in Minneapolis last August. Who would have thought that these cooperatives with such varied interests would have worked so well together?

With all the progress that has been made, we have a long way to go. We need a new type of thinking about mergers, consolidation, acquisitions, and the like. Members' viewpoint on their investment has changed from that of a member to that of a corporation stockholder.

I am afraid one of the jobs we haven't done is to provide the undergirding necessary to make the giant strides needed. One reason is that we are still a Nation of economic illiterates. The rank and file of people do not know how a competitive economy operates. We don't have enough aggressive leaders pushing us.

We are still growing like Topsy with no organized plan of development. We need a plan, a blueprint, to guide the future growth of cooperatives throughout the Nation. We need a plan which will get co-ops working together, not only those in the same community or area but those separated by hundreds of miles.

Things aren't all bad, however. There is more and more evidence of cooperatives working together. This is good, but not good enough. Here are just a few areas where we need to do more.

We can work together to establish reputable brand names for cooperative products and let the consumer know they are cooperative products.

Fewer cooperative mills could manufacture feed for all cooperatives in the United States.

We could funnel through fewer sources all purchases of oil, fertilizer, and other supplies. Other firms do it, why can't cooperatives?

a
We could have/nationwide cooperative management school with several branches over the country.

One overhead agency could provide engineering, architectural, and other services for all cooperatives. Supermarkets do it and so can cooperatives.

Why not have one research agency which all cooperatives could use?

We need a Moses to bring us out of this wilderness. Inter-cooperative relations are better than they were, but they still are not good enough to get the job done. Let's do something about it.

DEBATE: DO THESE PRINCIPLES FIT 1961 CONDITIONS?

***** French M. Hyre, Moderator

Among the principles of cooperation that have best withstood the ravages of time are "one member - one vote" and "open membership." But some contend that these principles do not fit 1961 conditions. Today's debate will not settle this issue for all time to come. However, it should stimulate thinking and help each of us to get a clearer picture of both sides of the question.

One Member - One Vote: Affirmative

***** Donald R. Davidson

For some 170 years the one citizen - one vote principle has been the guiding light for this Nation. We don't hear many Americans today saying it should be shelved. But you say there is a difference between our democratic Nation and a cooperative? Is there?

Foes of cooperatives have long hurled the charge that cooperatives are undemocratic. Friends of cooperatives have been able to point out truthfully that there is no principle more democratic. Lincoln's "government of the people, by the people, and for the people" has seen embodiment in our cooperatives where individual members, regardless of wealth, prestige, or power, have had equal voice in the association's affairs. Take away this equality and you take away the heart of a cooperative or a Nation.

When voting rights are based on accumulation of wealth, power may accumulate in the hands of a few instead of the many. Who can then guarantee that it will not be misused? History has proven the opposite.

If the American way of choosing leadership and making decisions is still right for this Nation, how can it be wrong for any cooperative? Our Nation hasn't failed after 170 years of one-citizen, one-vote. Nor will our cooperatives fail if they stick to the same basic principle. If the idea of 'a new birth of freedom' still holds, cooperatives should be in the vanguard insisting on the equal right of each man to ponder the issues, make a judgment, and cast his vote to the best of his ability.

Let those who advance the theory such a system is unfair to the large producer review their American history. Are those who have more invested better able to make wise decisions? Wealth doesn't breed wisdom, nor rightness.

One member - one vote is more important today, if possible, than it has ever been.

One Member - One Vote: Negative

***** Martin A. Blum

Underlying any discussion of the one member - one vote "principle" is the basic problem of how to achieve an equitable distribution of member control over the cooperative enterprise. An essential characteristic of cooperation is control by members for their benefit as patrons rather than for their benefit as investors.

The one member - one vote practice is a traditional method of keeping control in the hands of patrons. There are, however, other ways to exercise control over an association's affairs without sacrificing cooperative fundamentals. Voting in proportion to current patronage, for example, may under some circumstances represent a more equitable means for dividing control among members.

The present trend and continuing pressure toward larger and fewer farms, coupled with a similar development among firms that farmers must deal with, emphasizes the importance of attracting and holding larger as well as smaller producers as members. If producer-member attitudes are such that the growth and effectiveness of a cooperative are hindered by a one member - one vote policy, the best interests of all members would be served by adopting voting practices which give recognition to the extent individuals actually use the services offered by their cooperative.

Open Membership: Affirmative

***** Ira M. Stevens

Open membership means open to anyone who will comply with the cooperative's legal and financial requirements.

The basic objective of cooperatives is to improve the economic position of all farmers. Cooperatives can do their job best when they are strong. Large volume and large membership indicate strength. Therefore, groups that limit membership may not be trying to help all farmers.

Recent studies have shown volume to be a major factor of business success. Let us enhance chances of success, then, by encouraging open membership with its increased volume.

From the beginning, open membership has been a basic cooperative principle. Farmers have joined together to help each other because all needed help. Cooperatives were to be run democratically, without discrimination. Have these concepts now changed? Can we now discriminate against some farmers by barring them from membership?

When a cooperative gets too much of a product to market it advantageously, two courses of action are available: (1) Limit membership and keep only farmers that produce better quality products. All other farmers must shift for themselves or organize a competing cooperative. (2) Keep membership open, grade and merchandize all products received, and pay each farmer for the value of his product. The latter is the better way.

Since all farm products will be sold in one way or another, the total

revenue to farmers will be greater if membership is kept open and the bulk of a given commodity is handled by one cooperative. In this way the cooperative can exercise some control over when the product is delivered and thus have some effect on price.

Open membership has at least three advantages. (1) It allows the co-op to fulfill its major objective of improving the economic position of all farmers. (2) It encourages volume so essential to a cooperative's success. (3) It is a basic principle which has worked successfully over the years.

Open Membership: Negative

***** James B. Roof

Membership in a cooperative should be closed when economic conditions dictate a closed policy or where an applicant's personality precludes membership.

In the economics of marketing, generally when volume rises, prices drop. When unlimited new members enter a cooperative, volume rises and the relative advantage of membership in the cooperative disappears due to lowered prices. Cooperatives cannot serve their owners if there is nothing to be gained from membership. A closed membership policy allows the organization to market only that production which they can market effectively and to gain control over the quality of produce going to market.

This policy has been adopted by some fruit, vegetable, and dairy processing cooperatives. Purchasing cooperatives might explore the benefits of closing memberships to poor credit risks.

Members of cooperatives must be cooperators. Management should, for good reason, be able to call on troublemakers to show cause why their membership should not be terminated. Membership in a cooperative under these circumstances is a privilege.

SESSION VII

LEGAL AND TAX PROBLEMS

Thursday Morning, December 14, 1961
Chairman: Irwin W. Rust

STRENGTHENING RELATIONS BETWEEN COOPERATIVES AND STATE DEPARTMENTS OF AGRICULTURE

**** Byron G. Allen

Most of the State Departments of Agriculture are given permissive authority and some are mandated to promote farmer cooperatives. In some States the extension service or the land-grant college alone is authorized to furnish educational services to cooperatives. In others, both the State Department of Agriculture and the extension service are authorized to, and do, render service to cooperatives.

State Cooperative Councils ought to, and some do, keep in contact with State Departments of Agriculture to point up to them the provisions of the State law and to enlist the Commissioner or Executive Officers to give an assist to the work of the Councils.

Recently, the General Counsel's Office of the U. S. Department of Agriculture prepared a summary of the laws of the 50 States showing authority of the State Departments of Agriculture to actively make surveys; assist in the formation, dissolution, or consolidation of cooperatives; furnish auditing or managerial services; and promote and support cooperative enterprises. (This summary, developed by John F. Donoghue and Raymond J. Mischler, Office of General Counsel, has been published as Information 22 entitled, "State Statutes Authorizing Assistance to Farmer Cooperatives." It is available through Farmer Cooperative Service.)

Assisted by John J. Scanlan, Farmer Cooperative Service, and Edward C. Collins, Matching Fund Program, State Departments of Agriculture, the General Counsel's Office made a mail survey and summarized the data on the legal authority and activities of the State Departments of Agriculture in working with farmer cooperatives.

The survey aroused a good deal of interest and provided helpful information, especially about specific services performed for cooperatives, the chief cooperating agencies, factors limiting work with cooperatives, and

the desire to work more closely and actively with farmers in their cooperative efforts. Farmer Cooperative Service ranked eighth overall in prominence among all of the several State, Federal, and other agencies working with the State Departments, but in a number of States it ranked first, second or third. In Minnesota it ranked seventh.

The missionary zeal found among cooperative members and leaders appears to be lacking in these modern times. All cooperators and State Agricultural Department heads should be enlisted to help cooperatives move ahead and keep abreast with other forms of business organizations in the ever changing economy.

QUESTIONS AND ANSWERS

***** Lyman S. Hulbert

Q - Have there been any recent developments elsewhere which might be affected by the decision in the Maryland-Virginia Milk Producers Embassy Dairy case?

A - The Maryland-Virginia Milk Producers Embassy Dairy case confirms the fact that cooperatives are not immune from the anti-trust laws. The Capper-Volstead Act merely gives farmers the right to organize and act collectively. They must operate their business under the same rules as any other business.

Any firm that plans to combine with another may present information to the Justice Department to get advance approval of the combination. However, if the proposed combination is disapproved and the firms combine as planned, the information presented to the Justice Department may be used against them by the prosecution.

Q - Has Congress' refusal to change the authority for and jurisdiction over cooperative mergers in the 1961 Farm Act weakened their legal position?

A - Congress' refusal to change the authority for and jurisdiction over cooperative mergers in the 1961 Farm Act has not weakened cooperatives' legal position.

Q - How far are multi-purpose cooperatives with both purchasing and marketing activities required to go in departmentalizing their operations to comply with income tax exemption requirements of the Internal Revenue Service? Are these cooperatives, both exempt and non-exempt, permitted to offset losses in one department against gains in another department?

A - A multi-purpose cooperative with both marketing and purchasing activities will satisfy the exemption requirements of the Internal Revenue Service if it departmentalizes the two operations. The important

thing is to provide in the bylaws for equitable treatment of all patrons which, in some instances, may require further departmentalization. Multi-purpose cooperatives, both exempt and non-exempt, are apparently permitted by Internal Revenue Service to offset losses in one department against gains in another without affecting their exempt status; but there has been no specific published ruling on the subject. Attention is called to the fact that an income tax return may not be prepared without offsetting losses.

***** Raymond J. Mischler

Q - With regard to motortruck transportation by farmer cooperatives, what is the significance of ICC Case No. MC-C-2143, Oklahoma Furniture Manufacturing Company, et al - Investigation of operations?

A - The court's decision in the Oklahoma Furniture Manufacturing Company case has a bearing on whether a cooperative's transportation is "private" carriage or may be in violation of the Interstate Commerce Act where so-called "owner-operator" truck leasing arrangements are used.

The essential questions which must be answered to determine whether carriage is "private" are: (1) Who controls the vehicle and (2) who controls the driver? In order for the lease to create a "private" carriage arrangement, the lessee must have actual control of the vehicle and the driver.

In the Oklahoma case, it was first held by the ICC that an owner and operator may no longer lease a tractor to a shipper and drive the unit himself without being considered a "for-hire" carrier. A three-judge court reversed this holding. The case is now on appeal before the U. S. Supreme Court.

Q - Of what significance to farmer cooperatives is the Agricultural Commodity Service case, ICC Docket No. MC-C-2488?

A - Division I of the ICC has ruled in the Agricultural Commodity Service case that farmer cooperatives cannot haul for non-members unless such hauling is "functionally related to the farming operations of its member farmers." The Department of Agriculture is trying to get this ruling clarified. It believes a qualified cooperative whose transportation activities cannot otherwise be challenged and that does at least 50 percent of its total business with members can perform transportation for any person so long as it is reasonably incidental to and in furtherance of the authorized corporate purposes of the cooperative.

Q - What are the major provisions of the pending legislation on the Federal income taxation of cooperatives?

A - The draft of the proposed Federal income tax legislation on cooperatives was much less favorable to cooperatives than the President's

recommendation. The proposal of the House Committee on Ways and Means would repudiate the "exclusion" theory, followed by Treasury rulings and court decisions for 40 years, and would require all cooperative receipts to be considered as part of gross income.

It would then allow certain deductions but would restrict such deductions to patronage refunds paid in the form of cash, qualified scrip, and subsequent redemptions of nonqualified scrip. "Qualified scrip" is defined as paper on which a patron can demand cash for at least 90 days or paper which evidences refunds withheld as capital retains on which each patron has given written consent at least annually to pay the tax himself. Even this latter method would not be available unless the cooperative could show that it did at least 50 percent of its business with members and not more than 15 percent with non-member non-producers.

The proposed bill would not recognize the validity of a consent set forth in the bylaws of the cooperative, even in the case of members. The proposal also included a withholding provision, which would be applied the same as in the case of corporate dividends and interest payments. The Department is working hard to try to get changes which would make the proposed bill less burdensome to cooperatives.

WHERE HAVE WE BEEN?

***** Kelsey B. Gardner

Farmer Cooperative Service deals with the multiplicity of problems which can confront cooperatives as agricultural business institutions. This intriguing title calls for treatment of a diverse character. For a detailed discussion refer to Andrew W. McKay's "Federal Research and Educational Work for Farmer Cooperatives, 1913-1953," FCS Special Report 40. I can only refer briefly to a few items in this summary.

Early 1920's saw the birth of the "ironclad contract." Are we completing another cycle when we seriously advocate the use of contracts as an important device in "contract farming" or increased economic integration in cooperatives? Sapiroism of the early twenties gave strong impetus to emphasis on soundly organized and operated cooperatives.

It is important to recall that the Cooperative Marketing Division was established (1926) in harmony with the Department's "traditional policy of service (to farmer cooperatives) without domination" and "without in any way impairing their own initiative and responsibility." This continues to be the policy governing the work of the Service.

Compared to today the 1926-29 period of the Division was marked by: (1) Broader areas of work; (2) more emphasis on case studies; (3) more emphasis on cooperative features of organization and operation; and (4) broader approach and scope of marketing work, that is, Canadian wheat pools, hedging, and economic studies of area agricultural industries (Pacific Northwest prunes or New York egg market).

The Farm Board period (1929-1933) was marked by: (1) The ability of the Division staff to adapt to a loan program and show a creditable repayment record on loans made for other than price stabilization purposes; (2) Division staff formed a personnel nucleus for the new banks for cooperatives; (3) against vigorous opposition of a board member the Division was able to continue its important annual statistical survey of farmer cooperatives; and (4) drying up of research activities with emphasis on action programs.

The 1933-1953 period brought: (1) Reestablishment of research, service, and educational work for farmer cooperatives; (2) the 1933 landmark survey of farmer cooperatives; (3) adjustment of work to contribute to the World War II effort; (4) the 70 important clinics sponsored by American Institute of Cooperation, American Institute of Accountants, and Farm Credit Administration in which I was privileged to represent the Cooperative Research and Service Division of the Farm Credit Administration. These clinics were the forerunners of today's workshops, clinics, and short courses for cooperators.

Out of my experience have come many conclusions regarding work with cooperatives in the Service. Important essentials include: (1) Adequate professional training and experience; (2) a belief in the potentials of farmer cooperatives -- FCS is no place for the opportunist; (3) an honest analytical approach to the job but no cynicism; (4) ability to seize opportunities for freedom of action; and (5) recognition of the need for and the exercise of sound discretion and judgment.

The Service is the beneficiary of a heritage of the wide experience of its predecessor agencies. The challenge to the Service is to understand and use this experience as a base for further improvement of its important program of assistance to farmer cooperatives.

WHERE DO WE GO FROM HERE?

***** Joseph G. Knapp

We have heard a lot about the challenge of change this week. Change is something we have long lived with in FCS. But, we have evolved with the times and seem to be right in the groove, if I interpret the new frontier correctly. We are more a new than an old organization. We have traditions, it is true, but if they are to survive, they must be tested by the realities of the present.

In our desire to cooperate we must see that we protect the basic program we are set up to handle. In an organization so subject to requests for assistance as FCS, our problem is to provide the supply of services to meet the demand for them. As it is, we have a problem of allocating scarce resources. While I agree we should not hide our light under a bushel basket, we had better keep in position to do well what we are directed to do. Let's keep our eye on the ball.

If we are to apply our limited resources so as to best meet the demand for them, we must have a carefully planned program. We must have a well-trained, imaginative staff. We must recognize our responsibilities and also our leadership potential. A great organization is not measured by bodies but by men -- and I mean men like Anne Gessner and Beryle Stanton, too.

Where do we go from here? The answer is "There." Let me quote a sentence that recently attracted me. "If you want to go from here to there, you must know where there is."

Now where is the there we want to get to? That's for you to largely decide. What do each of you personally want out of the Service? I may also ask, "What are you really willing to give to the Service?" Do you look upon it as an opportunity for creation of achievements? How much are you willing to pay in effort, in self improvement, in sacrifice, in courage, in loyalty?

I think the future of our Service is good, based on staff performance this week. We have a long way to go to get to there if we put there high enough -- but I think we are on the way.

Participants on the 1961 FCS Workshop Program

Visiting Speakers

- Allen, Byron G. - Assistant to the Secretary, U.S.D.A.
Washington, D. C.
- Baker, John - Director, Agricultural Credit, U.S.D.A.
Washington, D. C.
- Curtis, John M. - Head, Department of Agricultural Economics
University of Maryland
College Park, Maryland
- Ellis, Clyde T. - General Manager
National Rural Electric Cooperative Association
Washington, D. C.
- Fitzgerald, Raphael V. - Assistant Deputy Administrator, Price and
Production, Agricultural Stabilization and
Conservation Service, U.S.D.A.
Washington, D. C.
- Givens, J. E. - Assistant Manager
Southern States Cooperative, Inc.
Richmond 13, Virginia
- Goss, George - Cooperative Review Staff
Agency for International Development
State Department
Washington, D. C.
- Heitz, Glenn E. - Deputy Governor
Farm Credit Administration
Washington, D. C.
- Hiller, Gerald L. - General Manager
Producers Livestock Association
Columbus, Ohio
- 1/
Hulbert, Lyman S. - Attorney at Law
Washington, D. C.
- Hussey, Frank W. - Deputy Administrator, Commodity Operations
Agricultural Stabilization and Conservation
Service, U.S.D.A.
Washington, D. C.

1/ Mr. Hulbert is engaged in the private practice of law and as legal consultant for the American Institute of Cooperation appears on this program.

- Jacobson, Dorothy H. - Assistant to the Secretary, U.S.D.A.
Washington, D. C.
- Mischler, Raymond J. - Assistant for Farmer Cooperative Service
Office of the General Counsel, U.S.D.A.
Washington, D. C.
- Mueller, Willard - Director of the Bureau of Economics
Federal Trade Commission
Washington, D. C.
- Naden, Kenneth D. - Secretary
National Council of Farmer Cooperatives
Washington, D. C.
- Nourse, Edwin G. - Economist
Washington, D. C.
- Raper, Luther E. - Director, Membership Relations
Southern States Cooperative, Inc.
Richmond 13, Virginia
- Stern, J. Kenneth - President
American Institute of Cooperation
Washington, D. C.
- Tarbell, Seeber C. - Director of Personnel Relations
Cooperative Grange League Federation Exchange, Inc.
Ithaca, New York
- Tobler, H. Willis - Director of Legislation
National Milk Producers Federation
Washington, D. C.
- Townsend, Dwight D. - Director of the Washington Office
Cooperative League of the U.S.A.
Washington, D. C.

FGS Staff Speakers

Abrahamsen, Martin A.	- Director, Purchasing Division
Blum, Martin A.	- Fruit and Vegetable Branch
Bowser, William C.	- Transportation Branch
Byrne, Robert J.	- Chief, Transportation Branch
Davidson, Donald R.	- Dairy Branch
Drewniak, Edwin E.	- Poultry Branch
Eichers, Theodore R.	- Farm Supplies Branch
Fox, Raymond L.	- Livestock and Wool Branch
Gardner, Kelsey B.	- Director, Management Services Division
Hangas, Arno J.	- Farm Supplies Branch
Hodde, Walter L.	- Livestock and Wool Branch
Hulbert, Helim H.	- Chief, Business Administration Branch
Hulse, Fred E.	- Fruit and Vegetable Branch
Hyre, French M.	- Chief, Farm Services Branch
Knapp, Joseph G.	- Administrator, Farmer Cooperative Service
Krause, Stanley F.	- Chief, Dairy Branch
Le Beau, Oscar R.	- Membership Relations Branch
Mather, J. Warren	- Chief, Farm Supplies Branch
McMillan, Wendell M.	- Chief, Fruit and Vegetable Branch
Miner, Bert D.	- Frozen Food Locker Branch
Monroe, William J.	- Dairy Branch
Preston, Homer J.	- Assistant Director, Marketing Division
Pursell, Arthur H.	- Farm Services Branch
Ratcliffe, Harry E.	- Poultry Branch
Rickenbacker, Joseph E.	- Transportation Branch

Roof, James B.	- Dairy Branch
Rust, Irwin W.	- Chief, Membership Relations Branch
Samuels, J. Kenneth	- Director, Marketing Division
Scanlan, John J.	- Chief, Poultry Branch
Stevens, Ira M.	- Livestock and Wool Branch
Tucker, George C.	- Dairy Branch
Volkin, David	- Business Administration Branch
Weaver, Otis T.	- Chief, Cotton and Oilseeds Branch
Wilkins, Paul C.	- Chief, Frozen Food Locker Branch

